FOREIGN AGRICULTURE

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World Trade in Sugar

Italy's Wine Industry

Competition in Big Markets

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Trinidadian carts sugarcane stalks from field to trucks, which will bring them to plants for processing. Stories beginning this page discuss sugar in world trade.

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Developing nations depend on it for income; the affluent demand it in quantity. Supplies are unpredictable and prices erratic. This is the story of

SUGAR

Few commodities are as universally popular and internationally produced as sugar—the familiar pure white crystals used at the table and in manufacturing to enhance the flavor, appearance, and nutritious value of hundreds of foods.

World sugar production and consumption now are at about 76 million short tons—double what they were 15 years ago. Sugar growing and refining industries exist in nearly every nation of the world, but many countries still depend heavily on imports to meet requirements. More than half of sugar trading with these countries is done through preferential shipping networks at reasonably high prices. But in the remaining arena of world sugar trade—called the "free" or "world" market—producers fare less well. Sugar moves here on a boom-and-bust rollercoaster fueled by skittish prices, unpredictable supplies, and political sensitivity.

Attempts have been made to achieve some measure of price stability through international marketing controls. Within the past 50 years, four separate International Sugar Agreements have been enacted and met with varying degrees of success. The latest is the Agreement which came into effect January 1, 1969, negotiated in Geneva under the auspices of UNCTAD in September and October of last year. It marks the first time that quota and price provisions have been in effect under an international sugar agreement since 1961.

Sucrose (sugar) exists in some quantity in every green plant, but sugarcane and sugarbeet are the most efficient producers of sucrose and are the most widely used commercially. Because of the geographic differences in the growing environments of cane and beet, sugar is being produced somewhere in the world all year round.

Sugarcane is a large, perennial, reed-like plant which grows in tropical and semi-tropical areas—South and Central America, the Caribbean, Africa, India, Southeast Asia, the

northeast coast of Australia, and the United States (Hawaii, Puerto Rico, Florida, and Louisiana). Cane was first processed into sugar in Asia. Cane sugar industries flourished briefly in the Mediterranean countries during the Middle Ages, and Venetian merchants had a lucrative trade monopoly in cane during the early 15th century.

Christoper Columbus—a former sugar trader himself—brought cane to the New World on his second voyage in 1494. The Spaniards developed cane production on a commercial scale in the West Indies, and the conquistadores introduced it in Central and South America, and the Portuguese in Brazil. The sugarcane industry of North America began in the middle of the eighteenth century when cane growing commenced in Louisiana.

Sugarcane production

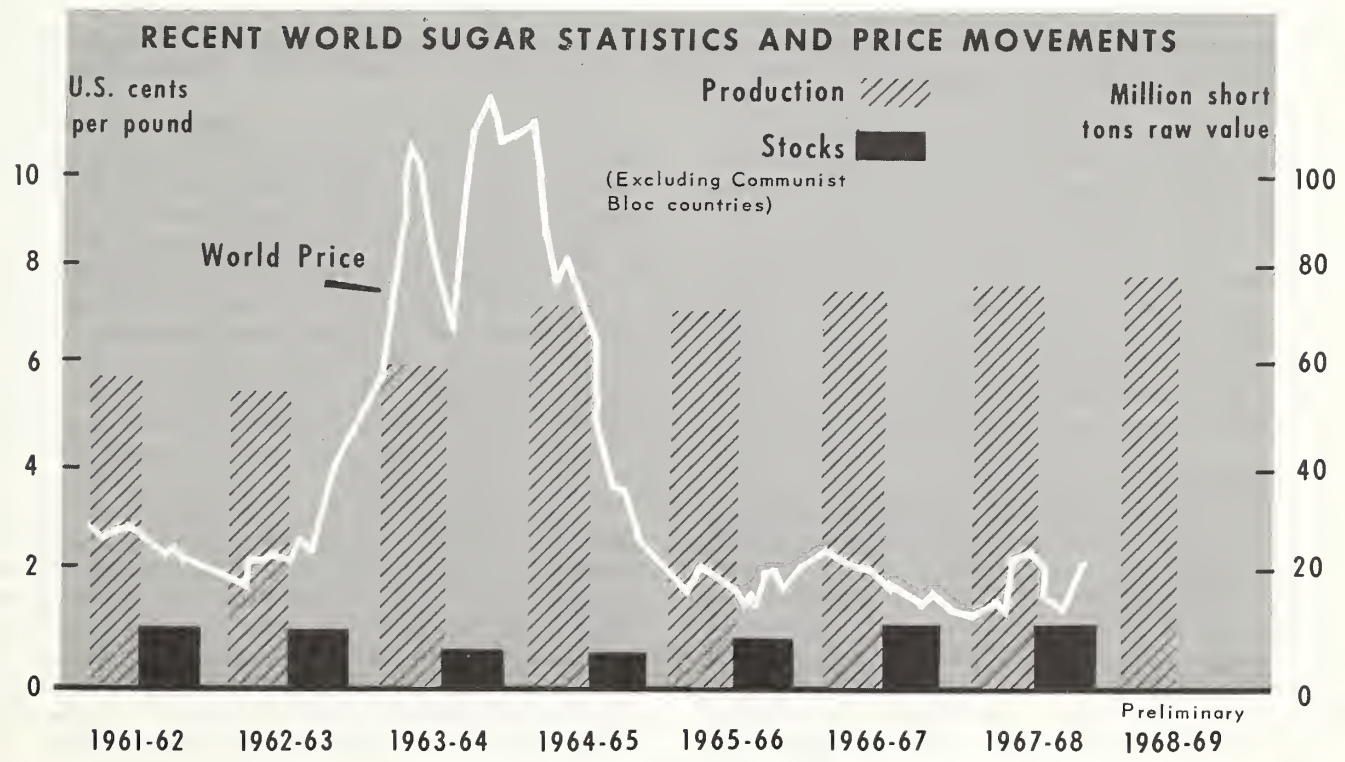
In most areas of the Tropics, cane production can be and sometimes is a haphazard operation. Cane grows continuously for about 5 or 6 years with little attention beyond hand harvesting every 12-18 months. Mechanization has done much to improve methods and reduce labor where it has been used in soil preparation and harvesting. Australia, for example, has a high incidence of mechanization and produces 7 tons of sugar per acre of cane. The irrigated fields of Hawaii, where cane is permitted to grow 2 years between cuttings, yield more than 10 tons per acre. This compares with the Caribbean, where only two of the marginal producers —St. Kitts and Barbados—can produce more than 3.5 tons per acre. Mechanization has come slowly to cane fields in the developing world. Bumpy terrain and patchwork planting in some areas—like the Caribbean—have made it difficult for tractors to work, and high machinery costs and labor displacement have made mechanization economically impractical.

Sugarbeets, the second most important source of sugar, are suitable to temperate climates and grow abundantly in Europe, the Soviet Union, Japan, and the United States. The establishment of sugarbeet industries in Europe resulted from the laboratory experiments of a German chemist, the diligence of his student, the backing of a Prussian King, the urgent needs of an empire at war, and the dynamic action of a French emperor.

German chemist Andreas Markgraf in 1747 determined that sugar from beets and cane were exactly the same. Forty years later, F. K. Achard expanded on his studies and so interested King Frederic William of Prussia that the King built a beet sugar factory at his own expense in 1801. Poor business practices folded the factory, but sugarbeet industries were to flourish in that area in the years to follow. The sugarbeet was by then also known as a useful rotation crop because of its deep roots, which improved the tilth of the soil. Furthermore, sugarbeets provided (and still do) plentiful cheap animal feed from their leaves and pulp.

The European sugarbeet industry was still in its infancy during the Napoleonic Wars, when shipping blockades stopped imports of cane sugar from the West Indies. Determined that his armies have sugar, Napoleon decreed that 79,000 acres of French farmland be planted to sugarbeets and six experimental stations be established. Between 1812 and 1813 more than 334 small beet sugar factories were in operation in France. Napoleon's Waterloo brought similar disaster for the French sugarbeet industries when lifted blockades flooded the market with cheap West Indies cane sugar. The enforcement of protective French tariffs put the industry back on its feet—a move repeated in this decade to the obvious benefit of the French sugar industry.

Russia established a sound beet sugar industry about 1832. It has been vastly expanded during the last 15 years and today ranks as the world's largest producer of sugar. The Soviets may produce nearly 11 million short tons of sugar



during the 1968-69 season.

Sugarbeet industries in the United States date from the 1830's, with fledgling factories in Northampton, Mass., and White Pigeon, Mich. The Mormons struggled with beet processing in Utah as did the gold rushers in Colorado, but it was Californian E. H. Dyer in 1879 that began American beet sugar manufacture in earnest. About 60 factories are in operation in 22 States from Maine to the Pacific.

Sugarbeets, grown as they are in temperate climate where labor is more costly, are more expensive to produce than cane. Their sugar content is higher (16 percent), and they are a much more dependable crop. Beets will grow in a wide variety of soils at elevations from below sea level up to 7,000 feet. Almost half the sugar consumed in the world—and about one-tenth of that traded—is made from beets.

Processing of cane and beets is similar, resulting in raw sugar rotated at high speeds in a centrifuge to force out most of the remaining molasses. It is the light brown raw sugar that remains—called "centrifugal" after its processing method—which makes up most of the sugar moving in bulk in world trade.

How sugar is used

In the developed countries sugar consumption has steadied at near 100 pounds per capita annually, increasing with population. In the developing countries, sugar consumption is expected to see its fastest growth, resulting in as much as a million additional tons of sugar traded by 1975.

Price is a big determinant of the rate of sugar use, but so is the general standard of living—including personal income and degree of industrial development. In countries of low per capita consumption—such as Paraguay and Ethiopia—practically all sugar is for household use. Industrial use gains in importance in more highly developed nations.

The United States, the world's second largest consumer of sugar (almost 11 million short tons in 1967), uses twice as much industrially as it does in homes and institutions. U.S. manufacturers of bottled beverages, extracts, and sirups use the most sugar, then bakers, confectioners, canners and processors, ice cream manufacturers, and dairies.

The influx of nonsucrose, noncaloric sweeteners has had a growing but still small effect on sugar consumption. Corn sweeteners are the most widely used sugar substitute; annual per capita intake is about 17.6 pounds in the United States, eaten mostly in processed foods. Saccharin is the oldest noncaloric sweetener, first produced commercially in 1901. It is 300 times sweeter than sucrose and is used mostly in products for diabetics and weight losers. Mixtures of cyclamate (sodium and calcium salts of cyclamic acid) and saccharin in various proportions sweeten 14 percent of the soft drinks in the United States as well as some nonfood products, such as toothpaste and pharmaceuticals.

U.S. quota system for sugar

Sugar used in the United States comes from domestic and foreign sources of beet and cane on a regulated quota basis. The United States has regulated its sugar imports ever since the days of George Washington, when sugar tariffs furnished up to 90 percent of the Federal Government's income. Sugar regulation now—under successive U.S. Sugar Acts—is aimed at providing adequate supplies at prices reasonable for consumers and fair to producers. Apportioned buying by predetermined quotas gives both foreign and domestic industries a better basis for advance production planning. Quotas also provide a certain amount of financial security to less-developed nations, some of which largely depend on cane sugar exports to the United States for foreign exchange.

To determine the U.S. sugar quota for the year, the Secretary of Agriculture makes an initial estimate of the coming year's requirements, based on sugar demand, inventory levels, prices, and other factors. Distribution of the requirements to foreign and domestic producers is determined in specified proportions, with controlling measures enforced so that the quotas are kept. Conditional payments are made to domestic producers for fulfilling requirements. A breakdown of U.S. sugar supplies in 1968 shows that 27 percent came from domestic beet, 11 percent from Mainland cane, 12 percent from Hawaii, 11 percent from the Philippines, 7 percent from Puerto Rico, and 32 percent from other countries.

The United Kingdom, France, the Soviet Union, and Portugal import their sugar through preferential systems. British supplies are regulated by the Commonwealth Agreement with Australia, the West Indies and Guyana, British Honduras,

The 1969 Internation

By JOHN I. KROSS, Director
Sugar and Tropical Products Division
Foreign Agricultural Service

The 1969 International Sugar Agreement, now in the third month of its 5-year operational period, embodies a number of new features with important implications for affected countries. The agreement replaces the 1958 agreement which ceased operating in respect to its economic and regulatory provisions at the end of 1961 but did continue keeping statistical records and doing research.

While most of the objectives of the 1958 Agreement are maintained, some of them have been extended or stated more explicitly:

- Exports of sugar will be on a quota basis and minimum and maximum prices established of 3.25 to 5.25 cents per pound f.o.b., Caribbean port and stowed basis. If the price exceeds 5.25 cents, quotas would not be in effect.
- Exports of sugar under preferential arrangements will be excluded from quotas established by the agreement. These preferential arrangements include exports to the United Kingdom under the Commonwealth Sugar Agreement, up to the amount of negotiated price quotas; exports by Cuba to Socialist countries; exports under the African and Malagasy Sugar Agreement; exports to the United States under its quota arrangement; and exports by the USSR, not exceeding 1.1 million tons, to the free market.
- Minimum stocks shall be the quantities of uncommitted sugar held by an exporting member in addition to any stocks required to meet the needs of domestic consumers and any obligations under special arrangements. The level of these stocks for developed exporting members will be 15 percent of their basic export tonnage and for developing exporting members, 10 percent of their basic export tonnages.
- Maximum stocks will equal 20 percent of a member's production in the immediately preceding calendar year.

East Africa, Fiji Islands, India, Mauritius, Swaziland, and Rhodesia (currently in suspension). All suppliers ship under designated quotas for a negotiated price. France imports from its possessions Guadelupe, Martinique, and Réunion (for processing and re-export), and Portugal buys from Angola and Mozambique. The Soviet Union and Communist Bloc countries have their own arrangements, which since 1962 have absorbed large imports from Cuba.

The special trade arrangements of the European Economic Community have caused some serious problems in the free world sugar market. The Community has enforced steep import tariffs and paid high support prices to protect its beet growers and maintain self sufficiency. But prices and national quotas have been so high that beet output for the past 3-4 years has surpassed domestic and export needs and produced a mounting surplus. Some of the excess beet has been processed and used for animal feed, but large, subsidized quantities of it have moved into world trade at prices so low that cane sugar exporters have found it difficult to compete. Likewise, these same cane exporters, as well as beet sugar exporters in Eastern Europe, have suffered from loss of access to the EEC market.

Community shipments of beet sugar into the free market of course affect the very prices that Sugar Agreements try to steady. The Community is not yet a member of the new Agreement because of an unresolved quota hassle, but EEC representatives have talked about reducing output and may guard the flow of exports to avoid tipping the price scale out of satisfactory range. Domestic EEC consumption of sugar in 1968-69 is estimated at 6,280,000 metric tons (6,922,000 short tons), white value. Production quotas total 6,480,000 tons broken down as follows: West Germany, 1,750,000; France, 2,400,000; Italy, 1,230,000; the Netherlands, 550,000; and Belgium, 550,000. However, production of a further quantity of 2,268,000 tons receives reduced price support.

Surplus affects world price

Sugar supplies in excess of demand are not the problem of EEC sugar producers alone, however. Most sugar producing

(continued on page 6)

ugar Agreement—Provisions and Purpose

• In order to prevent nonmembers from gaining advantage at the expense of members, each member will not permit importation from nonmembers as a group of a total quantity of sugar greater than the average imported over the 2-year period 1966-68 and will prohibit all exports of sugar from nonmembers below 3.25 cents per pound.

At the International Sugar Council's first session, January 20, 1969, the Council assigned initial export quotas to the exporting members. These were at a level corresponding to 90 percent of their basic export tonnages, totaling 8,591,000 metric tons. The first estimate of net import requirements in 1969 is 8,513,000 metric tons. The Sugar Council considers that this should bring the supply and demand of sugar on the free market into balance.

Quantities for export

Cuba was allotted a basic export tonnage of 2,150,000 metric tons. By allowing 1.1 million tons to pass through the USSR, Cuba's quota to the free market is increased to 3.25 million tons. Other countries with large export quotas are Australia, Republic of China (Taiwan), and South Africa—1.1 million, 630,000, and 625,000 metric tons, respectively. The European Economic Community did not attend all sessions of the negotiating conference and to date has not signed the International Sugar Agreement. The quota allotted to the EC was 300,000 metric tons instead of the 1.2 million it had requested. Almost all of the exporting members will still be exporting all or part of their sugar under preferential arrangements.

The International Sugar Council will administer the International Sugar Agreement. There are 32 countries which are now members of the Agreement in some manner and are affected by decisions of the Sugar Council. Under the Agreement, 1,000 votes are allotted to exporting members and 1,000 to importing members.

At the beginning of each quota year, the Council will establish the distribution of votes. Naturally, the largest number of votes will go to the large importers or exporters in descending order of importance. The USSR is the only importing country with 200 votes. If the United States decides to join the agreement at a later date, it will also be allotted 200 votes. Other importing countries with a large number of votes are the United Kingdom, 153; Japan, 138; and Canada, 74. On the exporting side, only Cuba has 200 votes. The next highest number of votes is 109, held by Australia, and Brazil is third with 70.

The objectives of the new Agreement take into account the recommendations of the first session of the United Nations Conference on Trade and Development (UNCTAD) and thus include specific reference to: increasing the export earnings of developing countries; providing for adequate participation in, and growing access to, the markets of the developed countries for sugar from developing countries; and maintaining a stable price for sugar which will be reasonably remunerative to producers, but which will not encourage further expansion of production in developed countries.

High output, low prices

World sugar production has been at record levels since the short years of 1962 and 1963. This has resulted in low prices for sugar moving in the free market and amounts to about 40 percent of traded sugar and 10 percent of world production. World prices have been depressed since 1964, usually below 2.00 cents per pound, reaching a low of 1.23 cents per pound in January 1967. Spot and future prices for sugar have risen rather sharply since the negotiations for the new sugar agreement during September and October 1968. The current world price of 3.30 cents per pound is the highest since 1964.

Several years will be needed to tell if the International Sugar Agreement will be a success, depending upon how the following questions are answered: Will the quota and price mechanism provided for be effective? Will the re-export of Cuban sugar to the free market be effectively controlled? What will be the level of the EC quota?

countries at one time or another have grown more sugar than they know they can sell. Then again, most importing countries at one time or another have found they needed more sugar than their current plans would bring in. Here the free market comes into play, offering producers an outlet for surpluses and importers a place to shop. Sugar production moves in high-low cycles, however, and it is a rare occasion when supplies match demands. Often this supply-demand imbalance has thrust the whole free market into turmoil. A look at the last dozen years of world trade will show how serious the effects of imbalance can be.

In 1956, demand was just high enough to work off some of the surpluses from past years, and prices began moving up. Political unrest in Hungary thrust Eastern Europe into turmoil, and beet output along with it. The closing of the Suez Canal threatened supply lines of cane sugar, and already high prices soared even higher. Buyers began to panic. Prices were so attractive that producers started a planting spree that flooded the world with sugar the next year. Prices plummeted. Beet producers the next year cut back acreage, but cane producers could do little to better their lot. The ratooned cane produced large crops every year for 6 more years, and prices stayed depressed into the early 1960's.

Negotiations in 1961 for continuing the 1958 Sugar Agreement and hopes to strengthen prices fell through when Cuba demanded a quota far and above what other exporters felt reasonable. Cuba exported all of its sugar, moving out a million tons of sugar above its agreement quota. Prices stayed low.

By 1962 surpluses were finally being worked off, and prices were strengthening, when Cuba's deteriorating sugar economy reached bottom. A poor European beet crop that same year added fuel to the fire and sugar prices went way up. Sugar supplies were almost adequate, but importers reacted in the traditional way and continued to scramble for supplies. World sugar prices went from 2.97 U.S. cents per pound to 12.6 cents in one season, cane growers increased acreage, demand eventually leveled off, and inventories began to accumulate. The next year the market was so flooded with excess sugar that prices dropped to less than 3 cents per pound by December and thereafter to levels lower than had been seen since 1920.

Prices have strengthened since then, but at 3.30 cents per pound they are still low in comparison to production expenses. —M.S.

Grain CAP Hurts Dutch Imports of U.S. Feedgrains

U.S. feedgrain exports to the Netherlands are feeling the pinch of the European Community's Common Agricultural Policy for grain. The mixed feed industry in the Netherlands —principal user of imported grains—is decreasing the high percentages of feedgrain in its products because of prohibitively high prices. The average share of grain in mixed feeds will drop from 45 percent in 1968 to about 40 percent this year. Sorghum and corn usage for feed, to use two examples, may decline up to a half million tons in 1968-69 with the United States a major victim.

In 1969 the decreasing feedgrain component will attract larger imports of grain substitutes. These include grain by-products (especially U.S. corn gluten feed), tapioca, Russian feed peas, protein supplements (mainly U.S. soybean meal), and dehydrated alfalfa meal.

Feedgrain imports from all sources are facing increased competition from French feed wheat. Increased imports of French soft wheat for feed was the major reason total Dutch wheat imports in 1968 went to 541,200 metric tons, up 40 percent in the last half of the year. Denatured wheat from France costs the Dutch feed mixer from US$2.75 to $6.50 per metric ton less than sorghums and from $6.60 to $9.30 per metric ton less than corn, including French corn. In the 1968-69 season imports of soft wheat for milling and feed are expected to total 480,000 to 500,000 metric tons, about 125,000 to 150,000 of it for animal feed.

This season's corn utilization in animal feed is expected to drop by 9 to 10 percent from the peak reached last season with a resulting cut in total corn imports of about 5 percent. Imports of U.S. corn will likely be between 1.5 million and 1.6 millon metric tons, compared to 1.95 million in 1967-68 and 1.85 million in 1966-67. Argentina will probably also supply less than in 1967-68, while imports from both France and Mexico will show appreciable gains.

Already substantially lower imports of sorghum from 1967-68 are expected to be cut by another 50 percent or more this season, mainly because of the high availability of feed wheat at lower prices. U.S. sorghum exports will likely suffer the most from decreased imports because they were not price competitive last season. Dutch imports of U.S. sorghum, in fact, may not even reach 90,000 metric tons, compared to 242,000 exported in 1967-68 and 318,000 in 1966-67.

—Based on dispatch from BRICE K. MEEKER
U.S. Agricultural Attaché, The Hague

Farm Exports Up in Colombia

Colombian agricultural exports reached near-record levels in fiscal 1968, and government policies and forecasts indicate further gains in coming years.

Exports of coffee, the country's most valuable foreign exchange earner, were unusually high in fiscal 1968, totaling $345 million, 5 percent above the fiscal 1967 level. Main reason for the gain was the additional quotas granted under the International Coffee Agreement as a result of prices exceeding proposed Agreement maximums. Banana and cotton exports increased, the latter reaching a high of about 80,000 metric tons.

One factor behind the surge in Colombian production and trade is the use by progressive farmers of modern production methods; improved seed varieties and chemicals to control disease, weeds, and insects. Farmer efforts to expand output have been supported and encouraged by the government, which is pushing for greater production with surpluses for exports of rice, cotton, beans, and beef. It also hopes to increase output of cocoa, edible oils, barley, and wheat—products in which the country is not self-sufficient.

To aid in this effort, the government in August 1968 reorganized the Ministry of Agriculture, consolidating three existing agencies into a new one called IDEMA. This agency is charged with guaranteeing farmers minimum prices and providing a marketing service geared to the production of exportable surpluses.

Danish Farmers Facing Many-Sided Financial Problem

Danish farmers are currently feeling the squeeze of rising production and living costs at a time when farm prices of major commodities are falling, exports to the important European Community market are declining severely, and the cost to the government of subsidizing exports to other markets is increasing.

As a result, farmers and their organizations are becoming more resolute in demanding compensation. Over the last few months the farm situation has been a prime topic of discussion in government, economic, and media circles. Much conversation has focused on the pros and cons of modifying present agricultural support programs—including the home market scheme—and initiating several new programs such as some system of more direct payment to farmers. Some people also recommend a program of direct export subsidies.

(Under the home market scheme domestic prices of major agricultural products are generally maintained at higher levels than export prices through levies on home market sales. Most of the levies go to the farmers as supplementary payments.)

Course still uncharted

The outcome of these discussions is as yet uncertain. The farmers themselves favor keeping the present support system until marketing problems brought on by developments in Western Europe, like EC policies, have been solved. So far, the government has decided only that it will not continue last year's policy of paying farmers a compensation designed to keep them from seeking an increase in prices of farm products. Most people now believe that farmers will demand an increase in home market prices. However, others are of the opinion that the government proposal may be simply a first step toward eliminating the home market scheme and substituting for it a personal and direct farm-support program.

The concept of supporting the individual farmer or holding —as opposed to production—was favored by the Economic Council in a report of its study of the agricultural situation. Taking another point of view, one prominent economist advocates giving the support to acreage and abolishing all restrictions on farm amalgamation and ownership.

Merging of farms into larger, more efficient units has been impeded somewhat by legislation limiting maximum sizes. Nevertheless, the number of farms and farmers in Denmark, like those in other developed countries, has been declining rather rapidly in the last few years. Figures for mid-1968 show a decline of about 6,600 in the number of farms from the level of mid-1967 to a total of 152,708. During the same period, the number of farm laborers declined by 8,200 to a total of 43,900. Agriculture now accounts for about 9 percent of Denmark's total population.

The government has initiated a number of social measures aimed at helping people who wish to leave agriculture.

Early in 1968 the Social Research Institute began a countrywide investigation of some of the major social problems that would be caused by alteration of the country's agricultural structure. The Institute is expected to publish its report some time this fall.

A bill to provide DKr 20 million ($2.7 million) for retraining farmers who leave agriculture is currently under consideration in the Folketing (Parliament). Agricultural workers coming into other industries would at first receive subsidies in compensation for their smaller salaries as inexperienced laborers. The subsidies would decline gradually as the workers gain in experience and their salaries are increased.

Grain crop aggravates problems

An occurrence of the last crop year that aggravated Denmark's farm problems was a surplus grain production for the first time in the country's history. This surplus resulted partially from excellent weather. However, substantial credit also must go to improved varieties and increased mechanization, factors that are likely to cause continued production of surplus grain, primarily barley. Surplus barley production, combined with some replacement of barley with more efficient corn in poultry rations, will put more Danish barley on the export market.

One of the government's initial reactions to the surplus grain production was the embargo of all coarse grain imports from October 4, 1968, to July 31, 1969, with the exception of corn, mainly for poultry rations. Domestic grain prices fell considerably, causing fear that heavy feed supplies for hogs would mean a surplus of pork, with consequent falling prices. The gravity of the situation has abated somewhat for two reasons: Denmark ran into a surprising shortage of pork for canned hams to meet export demand, and export markets —principally Norway—were found for a sufficient portion of the surplus grain to relieve some of the domestic pressures. In fact, enough of the surplus grain was exported to allow the withdrawal of limitations on the use of corn in poultry rations.

Grain imports in the future will most likely be made up almost entirely of corn and small quantities of other supplementary grains and will depend on developments in livestock and poultry production. Looking ahead, some officials forecast that production of poultry and eggs will decline because it is among the least profitable enterprises for Danish farmers. These authorities look upon hog production as Danish agriculture's most efficient enterprise.

Trade highlights

Recent Danish support for a Nordic Union (see *Foreign Agriculture*, Nov. 18, 1968) seems to have had as a prime motivation the prospects of markets for Danish farm products. Ironically, it is membership in the EC—whose policies have caused many of Denmark's agricultural problems—that the Danish farm sector really wants.

U.S. agriculture's biggest stake in the Danish market lies in exports of soybeans, soybean meal, and tobacco. In spite of Denmark's grain surplus this year, the feed trade expects demand for soybeans and meal to continue at last year's level or decline slightly. The potential threat to U.S. soybean and meal exports lies in Denmark's continuing search for its own high-protein feed crop; the most promising so far is horsebeans.

U.S. tobacco, fruits, and vegetables should continue to enjoy good markets in Denmark. For the last two, the market is of course dependent upon adequate U.S. supplies at low enough prices and competition from other suppliers.

—Based on dispatch from ARTHUR M. ROLLEFSON
U.S. Agricultural Attaché, Copenhagen

Plagued by bad weather

Farm Output Declines in the Dominican Republic

Agricultural production in the Dominican Republic last year suffered the ill effects of far-flung drought followed by torrential rains. Damage was limited mainly to export crops like sugarcane, coffee, cocoa beans, and tobacco—contributing to another deficit in that country's foreign trade—while food crops generally exceeded the 1967 level.

The severe drought, which began in 1967, retarded growth of most crops during early 1968. Substantial rains began to fall in mid-May, and by July most of the country had received near-normal rainfall although the ground water level remained low, especially in the eastern sugar-producing area. The drought came to a dramatic end in December, when heavy rains hit nearly all the country. These rains led to further crop damage in some areas, causing rivers to overflow their banks and to flood and erode nearby fields; they did, however, provide the ground water needed for a good production year in 1969.

As a result of the unfavorable weather, the overall agricultural production index for 1968 dipped to 98 (1957-59 equals 100) compared with 101 in 1967. On a per capita basis, this comes to only 69, as compared with 73 in 1967.

Sugar output off sharply

Affected the most was sugarcane—bulwark of the economy —whose production dropped 22 percent to an estimated 5.5 million metric tons. (Output of sugar did not fall as sharply because of some improvement in sucrose content of the cane.) During 1968, the Dominican Republic was able to meet its 640,000-metric-ton U.S. sugar quota; however, it did cancel nearly all sales contracts elsewhere. It is likely that production of sugarcane will increase enough in 1969 and that the country will have more to export.

Production of coffee—the second most important export after sugar—increased to 38,100 metric tons in 1967-68 as compared with 30,300 tons in 1966-67. Production is expected to decline during the current crop year, however, and the Dominican Republic may not completely fill its International Coffee Agreement export quota of 26,600 metric tons.

Third most important export crop, cocoa beans also suffered from the drought in 1967 and 1968. However, the rains in late 1968 gave some hope that 1969 output would be up somewhat. Exports in 1969 should also rise.

Output of tobacco probably dropped one-third below the 1967 level because of the drought. Tobacco exports were believed to have fallen below those in 1967 but not by as much as production since stocks from previous years were sold. Here again, beneficial rains presage a return to more normal levels in 1969, and exports can be expected to approximate the 15,000 tons shipped out in recent years.

A final export of importance, beef rose an estimated 20 percent in 1968 after a long period of little change. The production surge reflected a combination of factors. Drought and a drop in sugar byproducts available as feed influenced many cattlemen to cull their herds. Also, producers enjoyed improved marketing opportunities as a result of USDA approval of two local slaughterhouses. This enabled exporters to ship about 9.5 million pounds of beef to U.S. markets, mainly in Puerto Rico. In 1969, beef production is expected to continue at or slightly above the 1968 level.

Output of peanuts also grew in 1968, rising some 7 percent above the low 1967 level to 48,000 tons, in shell. While drought in 1967 caught the crop at a critical point, timely rains in mid-1968 allowed for extensive plantings and for a good production level during late 1968. An even higher growth rate is seen for output this year.

Despite the increased peanut production, imports of vegetable oil in 1968 were 20,000 tons, or 10 times the 1967 level. This jump—nearly all in U.S. soybean oil under Public Law 480—was due to shortages of peanuts available for crushing from the 1967 crop and to a reduced supply of coconuts (the other important source of vegetable oil). Also, local demand for vegetable oil is increasing rapidly.

For much the same reason as the peanut gain, output of rice climbed 13 percent above the 1967 level to 166,000 tons. The 1969 outlook, barring bad weather, is for a further advance in production, possibly in excess of 10 percent. During 1968, about 18,000 tons of rice were imported, nearly 30 percent from the United States and the remainder from Venezuela. Little imported rice will be needed in 1969.

Production of corn totaled an estimated 40,000 tons in 1968, up 3 percent from the previous year. The Dominican Government has strongly promoted corn output in recent years, especially in view of its use by the expanding poultry industry. This emphasis, plus better weather, indicates a production gain of about 10 percent in 1969—a level that could allow some corn exports. The opening of three government silos with a total storage capacity of 22,700 tons is expected to solve a serious corn storage problem.

Trade, agricultural development

Partly because of the continued low production of export crops, the Dominican Republic experienced its third straight trade deficit. Value of all exports in 1968 is put at $165 million—88 percent of this agricultural products—compared with $156 million in 1967. At the same time, the total value of imports rose from $175 million to about $190 million, with two-thirds of the increase in agricultural imports.

Purchases of the country's major agricultural import, wheat, totaled 105,000 tons in 1968—all from the United States. During 1969, about 5 percent more may have to be imported, again mainly from the United States.

In view of its heavy dependence on agriculture, the Dominican Republic in 1968 continued efforts to improve agricultural efficiency and farmer well-being. Development projects are now being carried out for livestock and various crops, with sugar getting special emphasis. During the past several years, the sugar industry, especially the part owned by the government (70 percent), has undertaken an extensive modernization program focusing on reducing the cost of producing sugar rather than on expanding total output.

Also, under a land reform program begun in 1962 by the Dominican Agrarian Institute (IAD), about 8,000 families have been settled on new farms, with around half the settlement taking place in 1967 and 1968.

—Based on dispatch from ROBERT M. MCCONNELL
U.S. Agricultural Attaché, Santo Domingo

Huge oak casks, imported from Yugoslavia, used for aging wines.

Recent Laws Help Italy's Wine Industry

By A. PAUL DANYLUK
ALBERTO CACCIAGUERRA
Office of U.S. Agricultural Attaché
Rome

Much of the push behind the upswing of the Italian wine industry in the past several years has come from a new government and industry policy of tighter control of all aspects of wine production. The main objective of the new policy is to increase farm income by raising the average quality, and thus the value, of Italian wine production. Achievement of this objective will likewise increase the country's export earnings.

The implement of the new policy is the Wine Law of 1963 and related laws and regulations. Other important legislation includes the laws to prevent fraud and misrepresentation in the manufacture of beverages and the "Green Plan" laws. The 1965-70 Green Plan, the government's overall plan for modernizing agriculture, provides funds for vineyard improvements.

Italy is the world's leading wine producer and ranks, along with France, Portugal and Spain, among the four largest exporters. For the past 3 years, production has averaged 1.7 billion gallons. Although only a small share—about 4 percent—of the production is exported, exports are rising. The rising trend is expected to continue as the industry works to develop foreign markets. Major export markets for Italian wine are West Germany, Switzerland, the United States, and the United Kingdom.

Of the 69 million gallons exported in 1967, 1.6 million gallons were sparkling wines, such as Asti Spumante, and 14.6 million gallons were vermouths. The remainder included such well-known Italian table wines as Chianti, Frascati, Valpolicella, Bardolino, and Soave. Italy's 1968 wine exports are estimated at about 78 million gallons.

Scope of the industry

Grape cultivation and winemaking are a familiar part of the Italian scene and an important segment of its agricultural economy. Of the country's total agricultural area, 13 percent is devoted to the production of grapes for wine, and grapes rank third among all farm products in value of production. Although Italy's reputation in world markets has been mainly that of a supplier of cheap wines, experts have recognized that Italy has the natural advantages for producing premium-quality wines and is producing them in substantial quantities. But tradition and lack of incentives have, until recently, encouraged quantity instead of quality.

Vineyards are spread through the entire mainland, Sardinia, Sicily, and such other offshore islands as Elba, Ischia, and Capri. At present grapes are grown in mixed plantings with olive trees and other crops on 5.5 million acres; larger, specialized vineyards occupy about 2.8 million acres with, of course, a much larger production since the land is wholly utilized for grapes. Specialized vineyards are concentrated in limited, defined areas particularly suitable for the culture of grapes used in well-known name wines.

Leading producers of Italy's high-quality name wines are four northern Regions—Tuscany, Piedmont, Veneto, and Lombardy. However, the largest grape-producing region—for both wine and table grapes—is Apulia, which is in the south. Although the south produces more grapes than the north, only a few of its wines have attained international recognition for quality. Except for a few light table wines, southern wines are characterized by a high alcoholic content, are dark for their types, and are heavy bodied. These wines are often used for blending with northern wines or as a base for the production of vermouth; the red wines are used for blending, the white for vermouth.

The slopes and hilltops, which at present account for two-thirds of Italy's total vine acreage, provide the most suitable locations for vineyards. These areas have shallow and often stony soils which yield only 2 to 5 tons of grapes per acre. In general, however, low yields are equated with high quality. In some areas, many farmers in the past transplanted their vineyards from the hills to the richer soils of the valleys, often increasing yields to 10 tons or more per acre. With higher yields came poorer grapes, uncontrolled volume of production, and a lowering of the quality of the area wine.

Although tradition is still a dominating factor in Italian winemaking, modern technology and organization are taking

over. With assistance from both state and local government, new cooperative wineries with modern equipment and strict control over production and processing are spreading rapidly. Indeed, in no other sector of Italian agriculture have cooperatives been so successful as in wine production.

Generally cooperatives are small, including about 6 to 8 villages within a 15- to 20-mile radius. On joining a cooperative, a farmer obligates himself to cultivate his grapes in accordance with requirements outlined by the law applicable to the specific region. He benefits not only from having his grapes processed in modern equipment by technically skilled personnel, but also from the effect on his returns of the cooperative's storage and marketing facilities and generally stronger bargaining position.

Today about 40 percent of the grapes processed into wine are channeled through cooperatives, most of which are equipped for complete processing—from crushing and vinification to aging and, finally, bottling.

Private wineries are the second largest marketing outlet for wine grapes. Old estates, in addition to using grapes cultivated in their own fields, purchase part of their needs—usually from the same growers year after year. In some instances, the grapes are crushed by the farmers, and delivery is made in the form of must (unfermented juice) or, as for Chianti, in the form of 3-month-old wine. The remaining percentage of wine grape utilization is accounted for by the wine production of private wineries, including farmers and old estates, from their own grapes.

Prices paid to farmers are determined by sugar content and vineyard location. Grapes grown on hilltops normally receive the highest price because they are of the highest quality and have the highest sugar content.

The Wine Law of 1963

The essence of the Italian government's efforts to upgrade wine quality is emulation of France's successful and time-tested denomination-of-origin system known as *appelation d'origine controlée*.

Although present Italian wine laws are based on various decrees enacted during the past 60 years or more, the Italian Wine Law of 1963—Presidential Decree No. 930 of July 12, 1963—consolidates and defines all legal aspects with which the present wine industry must comply. The Wine Law's basic aim is to protect the name of origin and the sources of musts and wines and to provide measures for the prevention of fraud and unfair competition.

Implementation of this law is now underway. Because the law is so comprehensive—covering every phase of grape cultivation and wine production, with strict controls all along the line—putting it into effect will be a long-time operation.

The law delimits zones of production so that the same type of natural environment is provided for the production of grapes for a specific type of wine; that is, zones are as similar as possible in geographic location, soil, elevation, and climate. So far, delimited and protected areas have been surveyed and recorded for 57 different types of wine.

Varieties of grapes permitted to be grown in specific zones are determined by the natural conditions of the locality, such as type of soil (which is by far the most important determinant), followed by relative position of the vineyard to the slope, and geographic location within a defined area. Within the broad area designated as suitable for the production of Chianti, for example, only a small part in the center of the area may be used for wine to be named Chianti Classico. On the Island of Ischia, although grapes are grown on the entire island, only grapes produced in certain small areas may be used to make wines that carry the approved names of island wines.

The law also requires that wine or must has to be made from traditional, high-quality grape varieties, rather than from hybrid vines. Hybrid vines generally produce high yields, but their grapes are of lower quality.

Production practices must also conform with approved practices for planting, cultivation, fertilization, and maximum allowed yields; to qualify for use in quality wines, grapes must come from areas where yield does not exceed a prescribed level at which sugar content and other aspects of grape quality are optimum.

Controls during processing include a definition of limits for: maximum allowed residue; physical, chemical, and organic wine characteristics; and the minimum degree of alcoholic content. Also, to bear the area name, the wine must be bottled in the area.

Enforcing the law

Protection of the denomination of origin, as well as the overseeing of all wine laws, is carried out under the supervision of a national committee composed of 28 members including government specialists in the field of viticulture, private experts, and representatives of farmers, cooperatives, wholesale dealers, exporters, and others in the wine business. The committee has the authority to carry out all pertinent investigations and to conduct publicity for the products covered by the 1963 wine law.

In zones in which the law is now in effect, it is enforced by the local wine *consorzi*—a voluntary society whose membership consists of not less than 30 percent of the wine producers of the zone. The *consorzi* is empowered to suppress fraudulent activities and marketing of fraudulent products. Its members must be given free entry to all premises where musts and wines are produced or stored. They may further check declarations of production, draw samples for analysis, and look for irregularities in compliance with the law.

The *consorzi* laboratory handles wine analysis for all its members and upon final test issues a neck label certifying that the wine meets quality as well as denomination-of-origin requirements. The labels are numbered, and by this means the *consorzi* can control total quantity of wine which is made. The producers who benefit from the higher and more uniform standards brought about by the law, not surprisingly, strongly cooperate in its enforcement. Most of them employ chemists and maintain laboratories for testing of wines.

Technical measures to improve quality

All along the line at various periods the wines are tested to determine their chemical composition, bouquet, and alcohol content. Generally there is little or no problem with the first two components, but the alcohol at times may be insufficient. Since Italian law does not permit the addition of sugar to raise the alcohol content, this problem is resolved either by concentration of the must or by mixing with high-alcohol-content wines, such as those from the south. Most wineries prefer to concentrate the must rather than mix with wine because to raise the alcohol content by 1 degree requires the addition of about 20 percent of high-alcohol wine. There is a danger that

Above, new and old vineyards in the Piedmont. Below and at right, new vineyards in Tuscany. Light field below has been cleared, with rocks stacked in rows awaiting removal. Vineyard owner, standing at right, explains to Arthur Danyluk how rocky field was prepared for planting.

at such a high proportion the bouquet may be changed, thus endangering an entire cask to disqualification. Degradation of bouquet can reduce the selling price of wine by as much as two-thirds.

Green Plan aid

Under the provisions of the Green Plan, capital grants from the government are available for the expansion of vineyards, as well as conversion to vineyards of the mixed-type plantings. It is obvious that in a field where grapes, grain, fruit trees, vegetables are mixed in together the fertilization, plant protection, and harvesting practices most desirable for any one of them cannot be fully carried out. It takes about 3 years before a vineyard begins to produce. Cost of bringing in new fields ranges between $800 and $2,000 per acre. Conversion grants may not exceed 40 percent of the cost.

Grants are also available for the purchase or construction of facilities needed by the cooperatives and *consorzi,* with a maximum set at 50 percent of the cost. Further low-interest loans are available for operating expenses and the purchase of farm machinery. Funds are also provided for the establishment of vine nurseries, including cost of structures and land purchase.

A major requirement of the Green Plan laws dealing with vineyards is that the grants and loans be limited to hilly country in approved delimited areas. This is another quality-improvement measure aimed at shifting wine grape production out of the more fertile bottom lands onto the slopes where yields are smaller but quality is better.

Outlook

Naturally, the prescription of ideal conditions and behavior in laws and regulations does not become translated into practice overnight. There has been and continues to be resistance from those who stand to lose out from the enforcement of quality standards and the prevention of mislabeling and other forms of fraud. But the trend is against them because the broad interest of Italian agriculture and the Italian wine trade lie in the establishment and maintenance of quality production. Tradition and entrenched interest are slow to succumb, but the mainstream of economic incentive is on the side of the Wine Law and better wines.

Growing Flax: New Colombian Agribusiness Venture

A company that makes paper products has teamed up with another that buys paper to introduce production of a specialized paper raw material—flax fiber—to Colombia. One is a company that would like to manufacture cigarette paper locally but has lacked a domestic supply of raw material. The other is a tobacco company that now has to import all its cigarette paper.

However, the growing of flax for fiber alone would not be an economical venture. Another incentive for the two companies' action is the potential market in Colombia for linseed oil. Several major paint companies have expressed interest in obtaining local supplies.

In 1965 the two companies decided to back experimental work on growing flax in Colombia. They hired a local group of agronomists and asked them to both develop new flax varieties and experiment with known flaxes. Test plots and trial fields have been grown in four areas in the Colombian highlands—near the cities of Bogotá, Medellín, and Palmira and in the province of Boyaca. Although the two companies finance the research themselves, they do receive technical assistance from national agricultural experiment stations from time to time.

Because both fiber and oil are desired from the flax, emphasis has been given to dual-purpose plants. So far the best results have been obtained in Colombian conditions with the varieties Arny, de Oro, Windom, NorAlta, and Redwood 65. All of these, and others that have been tested, are from a collection of the world's flax varieties obtained from the U.S. Department of Agriculture.

Experimental yields have been very favorable—from 2,000 to 3,000 pounds of straw and 1,000 pounds of seed per acre. In addition, seed from the dual-purpose plants makes good oilcake and meal for animal feed after oil extraction. Straw from experimental fields has been made into paper of fine quality.

Flax production has encountered some problems, however. Some of the highest yielding varieties have very long stalks that make them subject to lodging. The same plants also have long growing periods—approximately 180 days—so that two crops a year cannot be obtained. Many soils in areas of Colombia suitable for flax growing have been discovered to be deficient in borax for sustained flax production; but small borax fertilizer applications each year will correct this.

The two companies are now encouraging farmers near the test areas to try flax production for fiber and oil extraction or to grow flax for seed reproduction. Farmers who grow flax will get a guaranteed price for their crop and all the technical and financial help that is necessary. Within 6 or 7 years, if flax catches on, Colombia may be self-sufficient in linseed oil and in fiber for cigarette papers. —JOSE ANTONIO UMANA
Office U.S. Agricultural Attaché, Bogotá

Above, young flax plants in test plots; below, closeup of mature flax plants in full bloom.

Above, visitors inspect flax field in the highlands; below, sign says, "World collection, FLAX, 1722 varieties."

U.S. Competitors Active In Three Top Farm Markets

The United Kingdom, Japan, and West Germany are still, as in most recent years, the three most important purchasers of U.S. farm products—but they are also targets for vigorous promotional efforts by all other agricultural exporting countries. Though these efforts have not toppled the United States from its position as major supplier of farm commodities to the three markets, they have considerably raised other countries' shares.

Britain, marketplace for the world

Most exporting countries look upon the United Kingdom as a major market for agricultural products—a view that remains current in spite of devaluation, the short-lived "Back Britain" campaign, the hopes of the National Farmers' Union that the country can win self-sufficiency in dairy products and meats, and the government's efforts to reduce imports. To back up their belief in the British market, some 18 to 20 countries are displaying to this vital customer a wide range of agricultural items, many of interest also to the United States—such as canned and dried fruits, citrus, deciduous fruits and other fresh produce, dairy products, meats, vegetable oils, and wine.

One of the strongest bidders for the British market is Denmark (see *Foreign Agriculture*, July 1, 1968), with bacon, cheese, canned meats, and butter its principal offerings. The Danes are heavy spenders on press and television, but make good use also of large-scale campaigns at store level, which can involve as many as 16,500 stores. Their Trade Center in London has bought an adjoining shop for more display space, in addition to its restaurant; and they have opened a new center in Manchester.

Australia probably has the biggest national activity in terms of staff, budget, organization, and programs. Its marketing boards advertise widely, especially those for canned and dried fruit, dairy produce, meat, and apples and pears. In-store promotions, trade fair and food participation, Australian girls as merchandising teams, bonuses for butter sales are among the sales tools. So are retail competitions with prizes that include a Vauxhall car and 42 Real Kangaroo rugs.

New Zealand, through its dairy, meat produce, and apple and pear marketing boards, is a heavy advertiser, using press, billboards, TV, and women's magazines. It also sponsors consumer competitions, distributes point-of-sale material to butter and cheese retailers, and sends girl merchandising teams throughout the country.

Competing actively in Britain is **South Africa,** whose mini-skirted girls marketing Outspan oranges are reported in the trade press as an "Outspanding" success. South Africa is also pushing its deciduous fruit under a brand name, with heavy seasonal promotion including *Cape Sun,* a trade paper playing up the country's winter sunshine along with its fruit availabilities and supplies. Canned fruit, particularly fruit cocktail, is promoted at both trade and consumer levels.

Products of the **Netherlands**—dairy items, hams, and greenhouse produce (including cut flowers)—are widely promoted in Britain through exhibitions, in-store campaigns, and the press. Dutch bulb and lettuce growers carry on regular publicity campaigns ("Lettuce go Dutch" is a favorite slogan). In 1969, Dutch dairy products are expected to get a large boost with an 8-week TV campaign, full-color advertisements in women's magazines, and Dutch damsels passing cheese samples in 1,000 retail outlets.

SOPEXA, the export promotion organization set up by **France,** has been expanding its British program over the past several years. From its new Piccadilly location, it directs the marketing of wines, cheese, and apples through exhibit participation (especially small shows for home economists), wine tastings, and in-store promotions.

The Citrus Marketing Board of **Israel** is sole representative and exclusive seller of that country's citrus crop. The CMBI has a heavy seasonal promotion program in Britain; a new wrinkle for the current season is a "Write your own commercial" competition for Jaffa oranges. Another Israeli promotion agency is the semi-governmental Agrexco, using one brand name to push a long list of fresh fruits and vegetables with conspicuous success. Agrexco too has a heavy seasonal advertising program, as well as an in-store program embellished by green-and-turquoise-clad Israeli girls traveling over the land.

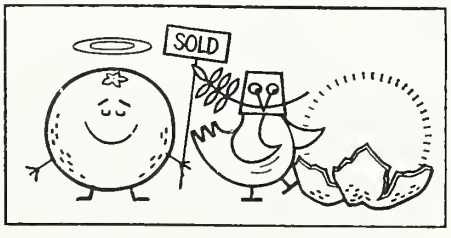
Among smaller competitors, **Morocco** pushes its oranges through retailer trade competitions, media advertising, and a poster campaign in London busses. **West Germany,** in its food center at Knightsbridge, sells wines and delicatessen items at retail, operates a small restaurant, and organizes participation in British food fairs. **Poland** inaugurated a new marketing approach last year by developing a single brand name for advertising all the foodstuffs (except meats) shipped by the different government trading companies.

Japan, land of rising opportunity

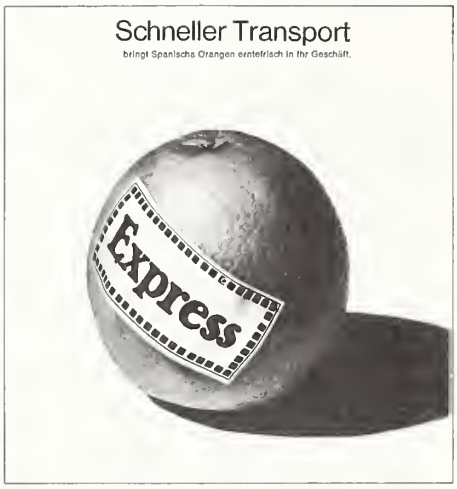
A lively rivalry is going on in Japan, where promotional expenditures by countries in direct competition with the United States for sales of agricultural products showed a 20-percent rise during 1968. With an ever-increasing population and rapid economic growth continually pushing upward Japan's needs for these products, exporting countries are sparing no efforts to interest the Japanese.

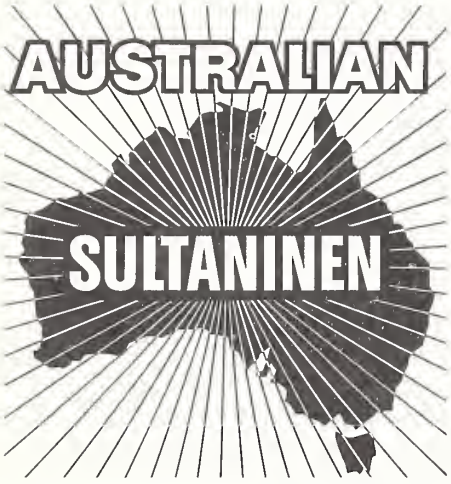
Last year, agricultural products aggressively promoted in Japan by at least 13 countries included many that U.S. suppliers also are promoting—among them wheat, meat, dairy products, poul-

Canada uses British media to publicize its honey (right) and other goods; it also takes active part in trade fairs and in-store promotions. Below, cartoon tells British shopkeepers how profitable the thin-skinned Cyprus oranges are.



Left, Israel offers its Jaffa citrus to German buyers; below, Spanish advertisement explains to German importers how fast they can get shipments of oranges from the Peninsula.





Left, a sunny pitch for raisins from Australia, which finances such trade insertions in German publications for bakers and confectioners and also offers a free multicolor 250-gram standard bag to importers for repacking sultanas.

try, honey, soybeans, canned fruits and other processed foods. Were it not for restrictive import quotas, many foreign foods would sell even better there.

Promotional activities of **Australia,** biggest U.S. competitor in Japan, were so numerous in 1968 that they can only be sampled, as Australia's foods so frequently were during the year. Besides food shows at stores in Tokyo and Osaka, the Australian Embassy Trade Office held two food and wine exhibits, both offering "new items" like iced coffee, canned abalone, and frozen eggs.

Australia followed up its first shipment of chilled beef to Japan by a series of beef samplings and exhibits there under the sponsorship of the Australian Meat Board; it also welcomed visits by groups representing Japan's government, meat industry, and trade. Australia itself sent missions, on behalf of trade in general and wheat trade in particular.

New Zealand too stepped up its Japanese promotions of agricultural items, with special attention to lamb, dairy products, and wool. Visits of high-level New Zealand Government and trade officials were coordinated with New Zealand Food Festivals in major Japanese cities. The New Zealanders also demonstrated "telescope-type" mutton carcasses on a ship in Tokyo Bay, showing how by folding and shaping the carcass can save space.

Denmark, marking the birthday of its trade promotion office in Japan, continued to expand its activities. Cheese promotion was intensified in stores and through advertising, and the Danes also pushed broilers despite price problems.

France has recently increased its wheat sales offensive in addition to pressing its promotional campaign for other agricultural products in direct competition with the United States. Most promotions stressed French gourmet foods and were held at the French Trade Center in Tokyo or at major department stores. One, however, the French Wine Harvesting Festival, was an all-out Gallic peasant affair at the Gueymard Vineyard in Kanagawa Prefecture, offering a livestock show, a folklore costume parade, folk dances, and sales of Gueymard grape juice and wines, to wash down hearty French fare.

Agricultural promotion by **Canada** centered around wheat and beef, with a beef sampling luncheon and a visit by a three-man Canadian wheat team. **Argentina** sent government and trade officials to discuss the possibility of wheat and meat sales to Japan. **Bulgaria** invited a Japanese poultry team to inspect its industry and sent a poultry exhibit to the Osaka Fair. **Korea** exhibited soybeans, buckwheat, and other foods in Tokyo and later in other Japanese cities.

West Germany, hub of Europe

West Germany, like the other two, is the theater for much dramatic competition among countries exporting agricultural items. Said a leading Bonn newspaper recently, "In the course of time Germany has become a true playground of foreign producers and sales organizations who are pumping more and more advertising millions into the Federal Republic." The massive trade surplus Germany piled up during 1968 influenced it to slow exports and stimulate imports; but the effects of this effort are mixed so far. Meanwhile, a score of countries are vying for the German market in such products as poultry, canned fruit and other processed foods, raisins, vegetable oils, and fresh fruits and vegetables.

The **Netherlands** is continuing its heavy TV advertising program. Last year, the Dutch promoted their poultry mainly at IKOFA (Munich) and ANUGA (Cologne), and their other foods (chiefly cheese) at Green Week, Berlin; the Saar Fair; the Mannheim May Market; the DLG Fair, Munich; HAFA, Hannover and Wiesbaden; and The Shopping Bag, Nuremberg.

France still centers its promotion effort on cheese, wine, and fresh fruits, with a large share of its budget allotted to consumer advertising. Like Britain, Bulgaria, the Netherlands, and Denmark, France last year held a National Week in Germany as a major promotional tool. **Denmark** finds its selling efforts hampered by EC regulations, but it still spends close to 30 percent of its total export promotion budget on Germany, according to the newspaper already quoted. **Israel** still dominates citrus promotion in Germany with its wholesaler-to-retailer-to-consumer schedule. **Belgium** promotes fresh produce at the fairs and by government-aided advertising.

CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Between February 25 and March 4, 1969, offer prices of wheat in Rotterdam for U.S. Northern Spring and U.S. Hard Winter decreased 2 cents and USSR SKS-14 decreased 1 cent. U.S. Red Winter increased 1 cent while the others remained unchanged.

U.S. corn was unchanged and Argentine corn was lowered 2 cents. South African is not quoted.

Item	March 4	Feb. 25	A year ago
	Dol. per bu.	*Dol. per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	2.02	2.02	2.01
USSR SKS-14	1.88	1.89	1.95
U.S. No. 2 Dark Northern Spring 14 percent	1.89	1.91	1.92
U.S. No. 2 Hard Winter 14 percent	1.88	1.90	1.85
Argentine	1.84	1.84	1.80
Australia Prime Hard	1.86	1.86	(1)
U.S. No. 2 Soft Red Winter	1.71	1.70	1.76
Corn:			
U.S. No. 3 Yellow	1.38	1.38	1.39
Argentine Plate	1.40	1.42	1.53

[1] Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

U.S. Tobacco Exports Drop in January

The recent dock strike affecting the East Coast and Gulf ports is held responsible for reducing exports of unmanufactured tobacco from the United States in January 1969 to only 8,144,000 pounds (declared weight), about 18 percent of the volume shipped out in January 1968. Almost 79 percent of the total shipments were flue-cured tobacco.

From July 1968 to January 1969, exports of unmanufactured tobacco totaled 362.9 million pounds, just slightly less than the 364.9 million pounds shipped out in the same 7-month period of the previous fiscal year.

Exports of tobacco products in January 1968, also down substantially, were valued at $4.1 million, compared with $8.9 million in January a year ago.

U.S. EXPORTS OF TOBACCO PRODUCTS

Kind	January 1968	January 1969
Cigar and cheroots *1,000 pieces*	2,796	1,096
Cigarettes *Million pieces*	1,599	705
Chewing and snuff *1,000 pounds*	28	0
Smoking tobacco in pkgs. *1,000 pounds*	127	39
Smoking tobacco in bulk *1,000 pounds*	478	286
Total declared value *Million dollars*	8.9	4.1

Bureau of the Census.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export weight]

Kind	Quantity		Value	
	January 1968	January 1969	January 1968	January 1969
	1,000 pounds	*1,000 pounds*	*1,000 dollars*	*1,000 dollars*
Flue-cured	33,410	6,428	29,097	7,382
Burley	2,351	647	2,342	870
Dark-fired Ky-Tenn	2,086	6	1,132	3
Va. fire-cured [1]	536	431	350	335
Maryland	275	0	239	0
Green River	112	0	76	0
One Sucker	0	0	0	0
Black Fat	273	0	181	0
Cigar wrapper	263	37	653	161
Cigar binder	143	0	111	0
Cigar filler	19	12	12	8
Other	4,828	583	692	55
Total	44,296	8,144	34,885	8,814

[1] Includes sun-cured.

Bureau of the Census.

Record Thai Cigarette Sales

The Thailand Tobacco Monopoly reports new record cigarette sales of 13,318 million pieces in calendar year 1968, about 9 percent over the 1967 record of 12,195 million pieces.

Usage of U.S. tobacco in products, mostly cigarettes, also reached a new high of 9,606 metric tons in 1968, 16 percent higher than the 8,300 metric tons in 1967. U.S. leaf in Thai cigarettes has increased over 1,000 tons each year during the past 4 years. A new high in U.S. leaf usage is also expected during calendar year 1969.

Near-Record Ceylon Tea Crop

Tea production by Ceylon, the world's second largest producer, totaled 495.6 million pounds in 1968, up nearly 2 percent over the year before and only slightly under the record 1965 harvest of 503.2 million pounds.

Ceylon was again the largest supplier of U.S. tea requirements in 1968. Tea imports from Ceylon totaled 49.9 million pounds, valued at $20.8 million, out of total U.S. imports of 155.3 million pounds, valued at $60.7 million.

Dock Strike Cuts U.S. Cotton Exports

Exports of raw cotton from the United States in January totaled 55,000 running bales (480 lb. net), compared with 276,000 in December and 474,000 the same month a year earlier. The sharp drop in U.S. cotton exports in January was due to the longshoremen's strike, which paralyzed cargo shipments at Atlantic and Gulf Coast ports. February shipments will also be small because of the strike.

Shipments in the first half (August-January) of the current season amounted to 1,143,000 bales, down 40 percent from the 1,899,000 bales exported during the same period in 1967-68.

U.S. DEPARTMENT OF AGRICULTURE
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U.S. COTTON EXPORTS BY DESTINATION
[Running bales]

Destination	Year beginning August 1				
	Average	1966	1967	Aug.-Jan.	
	1960-64			1967	1968
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	23	4	1	1	0
Belgium-Luxembourg	121	52	45	18	12
Denmark	14	8	10	5	1
Finland	17	15	11	6	2
France	319	163	148	68	38
Germany, West	269	159	100	46	11
Italy	345	263	253	127	30
Netherlands	110	31	36	8	9
Norway	13	10	7	3	3
Poland	125	78	77	32	91
Portugal	21	1	8	1	3
Spain	74	1	7	1	4
Sweden	81	71	75	41	20
Switzerland	74	79	60	34	16
United Kingdom	244	153	125	61	21
Yugoslavia	112	139	67	33	0
Other Europe	17	11	25	9	4
Total Europe	1,979	1,238	1,055	494	265
Australia	61	17	17	13	0
Bolivia	7	9	0	0	0
Canada	353	297	142	87	44
Chile	18	3	1	(1)	(1)
Colombia	3	1	0	0	0
Congo (Kinshasa)	6	34	13	(1)	0
Ethiopia	9	9	22	9	7
Ghana	1	15	12	5	9
Hong Kong	148	183	299	112	104
India	314	289	342	262	5
Indonesia	40	161	70	(1)	47
Israel	15	2	4	1	1
Jamaica	4	5	1	(1)	1
Japan	1,192	1,293	1,103	431	251
Korea, Republic of	261	372	351	223	188
Morocco	12	14	35	6	5
Pakistan	14	3	18	7	0
Philippines	123	134	154	57	55
South Africa	41	38	23	7	3
Taiwan	209	373	378	128	90
Thailand	34	70	90	34	30
Tunisia	2	15	14	8	0
Uruguay	6	0	0	0	0
Venezuela	8	1	(1)	(1)	(1)
Vietnam, South	46	66	24	8	24
Other countries	18	27	38	7	14
Total	4,924	4,669	4,206	1,899	1,143

[1] Less than 500 bales.

Mozambique Harvests Small Cashew Crop

Mozambique is now harvesting what is believed to be its second smallest cashew crop since 1962; a substantial quantity has been carried over from last year for sale in the current season.

The 1969 crop is estimated at 127,000 short tons, raw nut basis, 4 percent below the 1968 harvest and 5 percent below the 1962-66 average. The only smaller crop in the past 7 years was the 116,000 tons produced in 1966. The supply situation will not be as short as the production figure might indicate, however, because an estimated 28,000 tons were carried forward as stocks from last year. It should be noted that estimates of end-of-season stocks were not available prior to 1967 and therefore do not appear in the 5-year average in the following table.

MOZAMBIQUE'S CASHEW SUPPLY AND DISTRIBUTION
[Raw nut basis]

Item	Average	Annual		
	1962-66	1967	1968	1969
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Beginning stocks (Jan. 1)	—	—	80.0	28.0
Production	133.4	187.0	132.0	127.0
Imports	—	—	—	—
Total supply	133.4	187.0	212.0	155.0
Exports[1]	128.1	102.0	180.0	—
Domestic disappearance	5.3	5.0	7.0	—
Ending stocks (Dec. 31)	—	80.0	25.0	—
Total distribution	133.4	187.0	212.0	—

[1] Includes kernel exports converted to raw nut basis at 4.5:1.

Mozambique's exports of raw cashews during January-March 1968, at 75,774 tons, had already exceeded the entire 1967 sales of 61,940 tons. India was as usual the only significant buyer of raw nuts in both years. Exports of kernels in 1967 totaled 8,907 short tons, up 41 percent from 1966, continuing the recent upward trend in sales of mechanically shelled cashews. The United States took 81 percent of the total; all other sales were well scattered among 21 other countries. Kernel exports are expected to continue to rise at a rapid pace and may have exceeded 10,000 tons in 1968.

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